

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 NEA-10 SS-15 SP-02 INR-07 XMB-02 NSC-05

/049 W

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R 191440Z JUL 76

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 8714

C O N F I D E N T I A L SECTION 1 OF 2 DAMASCUS 4720

FROM AMBASSADOR FOR EXIM PRESIDENT DUBRUL,
ASST. SEC. ATHERTON, AND ASST. SEC. GREENWALD

E.O. 11652: GDS

TAGS: EFIN, ECON, PFOR, SY, US

SUBJECT: SYRIAN DESIRE FOR EXIMBANK FACILITIES

REF: STATE 173161

1. SUMMARY: I BELIEVE THAT EXIM POSTPONEMENT OF CONSIDERATION OF RE-ESTABLISHMENT OF MINIMAL PROGRAMS OF INSURANCE AND GUARANTEES FOR SYRIA "UNTIL SOME LATER DATE" IS DETRIMENTAL TO OUR ECONOMIC/COMMERCIAL EFFORTS HERE AND OUT OF STEP WITH OTHER USG ECONOMIC PROGRAMS RE-ESTABLISHED IN SYRIA OVER PAST TWO YEARS. IT UNDERCUTS OUR EFFORTS TO MODERATE VIEWS OF SYRIAN LEADERS AND MAKE THEM MORE AMENABLE TO OVERALL PEACE SETTLEMENT. RECOMMEND POSTPONEMENT BE RECONSIDERED AND DEPARTMENT APPROACH EXIM FOR THIS PURPOSE. EMBASSY SHOULD BE PROVIDED WITH BETTER GUIDANCE AS TO EXACTLY WHAT DATA EXIM NEEDS IN ORDER TO MAKE MORE REALISTIC APPRAISAL OF SYRIAN ECONOMY AND POTENTIAL FOR US EXPORTS IN THIS GROWING MARKET. END SUMMARY.

2. I AM DEEPLY DISAPPOINTED WITH NEGATIVE DECISION REPORTED REFTEL THAT EXIMBANK HAS POSTPONED CONSIDERATION OF RE-ESTABLISHING INSURANCE AND GUARANTEES PROGRAMS FOR SYRIA UNTIL "SOME LATER DATE". I SUBMIT THIS DECISION RUNS COUNTER TO US COMMERCIAL AND
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POLITICAL INTERESTS AND IS OUT OF STEP WITH ALL OTHER

USG ACTIVITIES VIS-A-VIS SYRIA SINCE RE-ESTABLISHMENT
OF RELATIONS OVER TWO YEARS AGO.

3. IN FIRST PLACE, THESE EXIM PROGRAMS WERE WITHDRAWN
FOR SYRIA BY REMOVAL OF SYRIA FROM EXIM'S COUNTRY
LIMITATION SCHEDULE UPON BREAK IN RELATIONS IN 1967;
SIMILAR ACTION WAS TAKEN AFFECTING OTHER COUNTRIES
BREAKING RELATIONS AT THAT TIME. IT IS OUR UNDERSTANDING
FROM VISIT OF EXIM OFFICERS IN MARCH THAT WITH
RE-ESTABLISHMENT OF RELATIONS WITH OTHER ARAB COUNTRIES,
THESE PROGRAMS HAVE BEEN REINSTITUTED FOR THOSE COUNTRIES,
E.G., FY 1975 AUTHORIZATIONS FOR ALGERIA, EGYPT, IRAQ
(WITH WHICH WE DO NOT YET HAVE DIPLOMATIC RELATIONS),
LIBYA, MAURITANIA, SUDAN, YEMAN ARAB REPUBLIC -- REF.
EXIM 75 ANNUAL REPORT. BUT NOT SO FOR SYRIA, EVEN AFTER
RENEWAL OF RELATIONS OVER TWO YEARS AGO. EXIM'S CURRENT
POSTPONEMENT APPEARS TO HAVE MORE POLITICAL THAN ECONOMIC
OVERTONES AND I WANT ANSWER TO QUESTION: IF EXIM CAN
REINSTATE PROGRAMS FOR OTHER ARAB COUNTRIES, THEN WHY
NOT SYRIA?

4. EXIM POINTS TO UNSETTLED CONDITIONS IN LEBANON
AND UNCERTAINTIES AS TO EFFECTS ON SYRIAN ECONOMY
OF SYRIAN INVOLVEMENT IN LEBANON.

A. THESE FACTORS HAVE NOT IN THE SLIGHTEST HINDERED
OUR U.S. AID PROGRAM IN SYRIA, NOR OUR CONSIDERATION
OF NEW AID PROGRAMS FOR SYRIA AT LEVELS CONSISTENT
WITH OUR \$80 TO \$90 MILLION RANGE FOR FY 75 AND 76.

B. THESE FACTORS HAVE NOT AT ALL LESSENED OUR
INTEREST, OR SYRIA'S, IN MEANINGFUL PL 480 PROGRAM
IN SYRIA, NOW IN ITS SECOND SUCCESSFUL YEAR (AVERAGING
ABOUT \$18 MILLION PER YEAR).

C.U.S. BUSINESS AND BANKING INTEREST IN SYRIA
REMAINS HIGH; U.S. EXPORTS TO SYRIA QUINTUPLED IN 1975
OVER PREVIOUS YEARS' LEVELS (\$25 MILLION AVERAGE 1970-
74, \$127 MILLION IN 1975); WE EXPECT THE 1976 LEVEL WILL
BE DOUBLE THAT OF 1975. PRESTIGIOUS FIRMS SUCH AS BOEING,
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LOCKHEED, AMOCO (STANDARD OIL OF INDIANA), AND FORD
MOTOR COMPANY, ALONG WITH A HOST OF OTHER EXCELLENT
U.S. FIRMS, CONTINUE TO WORK AT THE SYRIAN MARKET,
RETURNING TIME AND AGAIN TO SOLVE PARTICULAR PROBLEMS
AND GAIN ENTRANCE AND THEREFORE TAKE ADVANTAGE OF THIS
VERY RAPIDLY-GROWING MARKET. U.S. BUSINESSMEN AND TRADE
MISSION MEMBERS CONTINUALLY MAKE POINT TO US THAT THEY NEED
AND WANT EXIM ASSISTANCE IN ORDER TO GAIN MORE BUSINESS IN

SYRIA AND BE IN COMPETITIVE POSITION VIS-A-VIS EUROPEAN AND JAPANESE FIRMS ALREADY BACKED BY THEIR GOVERNMENT EXPORT CREDIT AGENCIES. OUR AID PROGRAM (PROJECT ASSISTANCE AND COMMODITY IMPORT PROGRAMS) ARE INTRODUCING NEW AND WELL-REGARDING AMERICAN FIRMS TO SYRIA; WHILE THEY HAVE ENTERED (OR WILL ENTER) UNDER AID UMBRELLA, THIS IS ONLY A FIRST STEP FOR FUTURE AND ALSO EVEN CONCURRENT NORMAL COMMERCIAL BUSINESS. USDOC IS PROVIDING EXCELLENT BACKSTOPPING AND FINANCIAL SUPPORT FOR U.S. FIRMS IN DAMASCUS INTERNATIONAL FAIR WHERE USG IS PARTICIPATING WITH U.S. FIRMS FOR THIRD CONSECUTIVE YEAR.

D. EXIMBANK ITSELF, EARLIER IN THE YEAR, WAS FAVORABLY DISPOSED TO PROVIDING CREDITS ON A GOOD, \$19 MILLION POWER GENERATION PROJECT IN SYRIA -- A POSITIVE ATTITUDE TAKEN ON ECONOMIC GROUNDS WHICH ONLY SUBSEQUENTLY WAS OVERTURNED BECAUSE OF BOYCOTT LANGUAGE PROBLEMS (WHICH POSSIBLY COULD HAVE BEEN RESOLVED HAD EMBASSY BEEN INSTRUCTED ON TIMELY BASIS TO APPROACH SARG AS WE HAVE DONE ON OTHER OCCASIONS). THIS WAS DISCUSSED HERE WITH EXIM OFFICIALS DURING THEIR WEEK'S VISIT IN MARACH AND SUBSEQUENTLY AT MIDDLE EAST E/C OFFICERS' CONFERENCE IN TUNIS.

E. ENTIRE ECONOMIC/COMMERCIAL APPROACH OF EMBASSY OVER PAST TWO YEARS HAS BEEN TO ENCOURAGE AND BUILD CLOSER U.S.-SYRIAN BILATERAL ECONOMIC RELATIONS. ON COMMERCIAL AND AID SIDE, WE HAVE MOVED FORWARD QUICKLY AND HAVE SUCCEEDED IN ESTABLISHING SOUND, POSITIVE RELATIONSHIP IN RELATIVELY SHORT PERIOD OF TIME. THIS EFFORT HAS LAID GROUNDWORK FOR POSITIVE RESPONSE FROM SARG RE OPIC BILATERAL AND READINESS TO SIGN THIS NEW ECONOMIC LINK WHENEVER WE ARE READY (DAMASCUS 4440).
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F. HIGH-LEVEL AMERICAN VISITORS SUCH AS SECRETARIES BUTZ AND SIMON AND OMB DIRECTOR LYNN, AND NUMEROUS CODELS, HAVE ALL ENCOURAGED CLOSER ECONOMIC TIES BETWEEN OUR TWO COUNTRIES, AND SYRIANS, IN RETURN, HAVE REQUESTED MORE AID AND CREDIT FACILITIES.

G. ON POLITICAL SIDE, PRESIDENT ASAD APPEARS IN CONTROL, DESPITE SOME OPPOSITION FROM LOCAL PALESTINIANS AND EXTREMIST MUSLIN GROUPS (DAMASCUS 1779) AND THERE IS NO INDICATION HE INTENDS TO ALTER PRAGMATIC AND REALISTIC ECONOMIC POLICIES WHICH HAVE LED SINCE 1971 TO INCREASED WESTERN (INCLUDING AMERICAN) PARTICIPATION IN SYRIAN ECONOMIC DEVELOPMENT.

5. OBSERVERS OF SYRIA SINCE 1963 HAVE BEEN STRUCK BY FACT THAT SYRIA, WITH ITS POLITICAL UPS AND DOWNS, HAS ALWAYS MAINTAINED A GOOD CREDIT RECORD. OUR EUROPEAN AND JAPANESE COMPETITORS HAVE CONTINUED TO EXTEND SIZEABLE AMOUNTS OF AID AND COMMERCIAL CREDITS TO SYRIA, TAKING ADVANTAGE OF THE NEEDS OF THIS RAPIDLY-DEVELOPING ECONOMY. MOST RECENT IMF AND IBRD REPORTS ON SYRIA CONTINUE TO BE OPTIMISTIC; IBRD HAS JUST EXTENDED TWO NEW LOANS TO SYRIA AND AID IS ABOUT TO SIGN \$63 MILLION IN TWO NEW PROJECT LOANS. AS PREVIOUSLY REPORTED, TWO THEMES BROACHED CONTINUOUSLY BY VISITING TRADE MISSIONS, IOGA'S, INDIVIDUAL BUSINESSMEN AND AMERICAN BANKERS IS NEED FOR AND STRONG DESIRE FOR EXIM AND OPIC PROGRAMS IN SYRIA.

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 SS-15 SP-02 INR-07 XMB-02 NSC-05

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R 191440Z JUL 76

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 8715

C O N F I D E N T I A L SECTION 2 OF 2 DAMASCUS 4720

6. WE HAVE ALSO PREVIOUSLY REPORTED BUDGET CONSTRAINTS SINCE BEGINNING OF YEAR AS AID FROM ARAB SOURCES WAS NOT RENEWED, LEBANESE EFFORT WAS COSTING POSSIBLE AN AVERAGE OF \$1 MILLION PER DAY AND SYRIAN ECONOMY COOLED DOWN FROM HIGH RATE OF ACTIVITY IN 1974 AND 75. AS HIGH-LEVEL MANAGERS OF SYRIA'S ECONOMY STRESSED TO OMB DIRECTOR LYNN DURING HIS MID-JUNE VISIT (DAMASCUS A-33), SYRIA HABITUALLY BUILDS "CUSHIONS" INTO ITS ANNUAL BUDGET AND THE FORTHCOMING 4TH FIVE-YEAR DEVELOPMENT PLAN. AS ARAB AID SLOWED DOWN IN THE PAST SIX MONTHS, BELT-TIGHTENING WAS UNDERTAKEN AND THE CUSHION WAS REDUCED. NOW THAT SAUDI ARABIA HAS REINSTITUTED

ASSISTANCE TO SYRIA IN WAKE OF JUNE 23 PRIME MINISTERS' MEETING IN RIYADH (DAMASCUS 4457) AND SYRIA CONTINUES TO EARN GOOD FOREIGN EXCHANGE FROM ITS OWN EXPORTS AND ALSO IS EXPERIENCING A GOOD YEAR IN AGRICULTURE, WE DO NOT BELIEVE LONG-RANGE ECONOMIC EFFECTS OF LEBANESE INVOLVEMENT ON SYRIAN ECONOMY WILL BE SERIOUS. MOREOVER, HIGH MILITARY COSTS OF SUCH INVOLVEMENT MAY ALREADY HAVE PEAKED; WE FORESEE POSSIBLY REDUCED COSTS FOR LEBANESE VENTURE IN COMING MONTHS. SYRIAN ECONOMY BIT OFF MORE THAN IT COULD CHEW IN 1974/75 AND 1976 IS A YEAR OF DIGESTION AND PROJECT IMPLEMENTATION, ALONG WITH MORE NORMAL STRONG GROWTH OF ECONOMY, DOWN FROM ABNORMALLY HIGH LEVELS IN 74/75.

7. ALL OF ABOVE LEADS US TO CONCLUSION THAT EXIM POSTPONEMENT OF REESTABLISHMENT OF MINIMAL PROGRAMS OF CONFIDENTIAL

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INSURANCE AND GUARANTEES (RETURNING SYRIA TO COUNTRY LIMITATION SCHEDULE) DEMONSTRATES A MUCH TOO CONSERVATIVE APPROACH UNWARRANTED BY THE FACTS, IS OUT OF STEP WITH OTHER USG ECONOMIC EFFORTS VIS-A-VIS SYRIA, IS DETRIMENTAL TO U.S. EXPORTS TO THIS GROWING MARKET AND GOES AGAINST EFFORTS OF THIS EMBASSY AND EXPRESSED DESIRES OF AMERICAN BANKERS AND BUSINESS FIRMS AND SYRIAN GOVERNMENT OFFICIALS. ON A BROADER LEVEL, IT UNDERCUTS U.S. POLITICAL EFFORTS TO ENCOURAGE SYRIAN POLITICAL MODERATION AND ECONOMIC LIBERALIZATION, STRENGTHENING BILATERAL RELATIONS AND MAKE SYRIAN LEADERSHIP MORE AMENABLE TO OVERALL ME PEACE STEELEMANT.

8. EMBASSY REQUESTS.

A. CONTINUED EFFORTS BY DEPARTMENT WITH EXIM MANAGEMENT, STRESSING MORE RATIONAL APPRAISAL OF THESE MINIMAL EXIM PROGRAMS FOR SYRIA SO AS TO ENGAGE EXIM IN ROLE SUPPORTIVE OF OTHER USG ECONOMIC PROGRAMS AND OVERALL U.S. INTERESTS IN SYRIA;

B. FULLER DISCUSSION OF EXIM REASONING THAN THAT CONTAINED IN SHORT REFTTEL;

C. SPECIFIC ANSWER AS TO WHY SYRIA CANNOT BE PUT BACK ON COUNTRY LIMITATION SCHEDULE UPON REESTABLISHMENT OF RELATIONS WHEN THIS WAS CASE FOR OTHER COUNTRIES IN AREA; (INCIDENTALLY, WHY IS SYRIA SHOWN FOR FY 75 INSURANCE AUTHORIZATION OF \$140,000 IN EXIM ANNUAL REPORT?);

D. ANY SPECIFIC EXIM ECONOMIC QUESTIONS THAT WE CAN POSE TO SARG SO AS TO PROVIDE BETTER INPUT TO EXIM

AND THEREFORE ASSIST EXIM IN MAKING SOUNDER APPRAISAL
OF SYRIAN ECONOMY AND REVERSE ITS NEGATIVE ATTITUDE
TOWARD THIS RAPIDLY GROWING MARKET.
URPHY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, BANK SERVICES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976DAMASC04720
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760277-0547
From: DAMASCUS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760745/aaaabnok.tel
Line Count: 282
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 173161
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUN 2004 by BoyleJA>; APPROVED <22 JUN 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SYRIAN DESIRE FOR EXIMBANK FACILITIES
TAGS: EFIN, ECON, PFOR, SY, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006